



MANUAL ON CORPORATE GOVERNANCE

January 2024

A handwritten signature in black ink, appearing to read "M. Talana" followed by a flourish.

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I. DOCUMENT INFORMATION

A. Revision and Approval History

This Manual shall be reviewed as needed and updated by First Metro as necessary to incorporate changes from internal and/or external factors that affect the applicability of the contents of this Manual.

The table below summarizes the changes to this document:

Version	Date	Authors	Revision notes
1.0			Initial Version
2.0	November 2017	Margarita Angela Robles	PolCom Cir. 103,2017
3.0	June 2018	Margarita Angela Robles	PolCom Cir. 034,2018
4.0	December 2021	Kristopher Kaiser Salamat	PolCom Cir. 085,2021
5.0	January 2024	Marivic Ferrer	Polcom Cir. 009,2024

B. Distribution of the Manual

This Manual should be made available to the Compliance Division and other divisions that may require the use of this document.

C. Document Control Information

At the end of this document is a text indicating the end of manual.

*** END OF MANUAL ***

Any copies that are found to be incomplete or obsolete should be destroyed.

II. INTRODUCTION

This Manual shall be known as the Manual on Corporate Governance of First Metro Investment Corporation (First Metro or the Corporation or the Company).

The Board of Directors, Management, Officers and Staff of First Metro Investment Corporation hereby commit themselves to the principles and best practices contained in this Manual, and acknowledge that the same will guide them in the performance of their respective duties and responsibilities to stockholders and other stakeholders and in the development and achievement of First Metro's corporate goals. This Manual should be read in conjunction with the BSP Manual of Regulations for Non-Bank Financial Institutions (MORNBF1), provided, that in case of conflicting standards/provisions, the stricter provision shall prevail.

To enjoin company-wide compliance, this Manual and all Board-level Committee Charters shall be posted and available in the Compliance Library for easy access of all employees, officers and directors of First Metro. All references to the masculine gender in the salient provisions of this Manual shall likewise cover the feminine gender.

A. Background

The Bangko Sentral ng Pilipinas (BSP) and the Securities and Exchange Commission (SEC) have been instituting structural reforms and have begun to develop a comprehensive strategy to raise the standards of corporate governance, with the purpose of reducing vulnerability and building investor confidence which are major keys for economic growth.

The BSP and SEC have come out with various issuances and circulars to further enhance the various initiatives they have implemented, to provide the very much needed impetus to improve corporate governance in the Philippine financial system.

B. Regulatory Basis

Unless otherwise stated, the bases of this Manual and its subsequent updates shall be the following:

- a. Securities Regulations Code
- b. Revised Corporation Code
- c. Code of Corporate Governance for Public Companies and Registered Issuers (SEC Memorandum Circular No. 24 series)
- d. Manual of Regulations for Non-Bank Financial Institutions by the Bangko Sentral ng Pilipinas (N-Reg)
- e. Manual of Corporate Governance issued by Metrobank

C. Definition of Corporate Governance

The SEC defines corporate governance as the framework of rules, systems and processes in the corporation that governs the performance by the Board of Directors and Management of their respective duties and responsibilities to the stockholders and other stakeholders which include, among others, customers, employees, suppliers, financiers, government and community in which it operates.

D. Importance of Corporate Governance in Banks and Non-banks Financial Institutions

Banks and Non-Banks Financial Institutions (NBFIs) play a strategic role in the smooth functioning of the national economy. They act as principal intermediary between the users and providers of financial services. If the banking system is weak, the national economy is also affected by virtue of its critical role in the operation of the national payments system. The presence of an effective corporate governance system, within an individual company and across an economy as a whole, helps to provide a degree of confidence that is necessary for the proper functioning of a market economy.

E. Guiding Principles of Good Corporate Governance

Good Corporate Governance enshrines the three principles, as follows:

Fairness/equity – implies that the rights of all concerned parties are protected. For financial institutions, directors should not only promote the interest of the stockholders but also that of other stakeholders such as depositors, investors and borrowers.

Accountability – involves providing adequate incentives and instilling in the business environment the discipline to act in the best of the company.

Transparency – or the availability of information is sought through expansion of public disclosure requirements.

III. GOVERNANCE STRUCTURE

A. Board of Directors

1. Composition of the Board

- a. Pursuant to Section 15 and 17 of R.A. 8791, there shall be at least five (5), and a maximum of fifteen (15) members of the board of directors of a BSFI. The board of directors shall determine the appropriate number of its members to ensure that the number thereof is commensurate with the size and complexity of the Company's operations.

To the extent practicable, the members of the board of directors shall be selected from a broad pool of qualified candidates.

The Board shall be composed of directors with collective relevant working knowledge, experience or expertise. The Board shall ensure that its composition reflect an appropriate mix with regards to skill representation, board experience, tenure, gender, age, and geographic experience. Other considerations are personal qualities, communication capabilities, ability and commitment to devote appropriate time to properly discharge the task, professional reputation and community standing and alignment of the quality of directors with the Bank's strategic directions. The Bank may compile a board profile when considering candidates to the Board (i.e., identify the professional skills and personal characteristics present on the current Board; identify the missing skills and characteristics; and nominate individuals who could fill the possible gaps).

It shall be headed by a competent and qualified Chairperson.

- b. Non-executive directors, who shall include independent directors, shall comprise at least a majority of the board of directors to promote the independent oversight of management by the board of directors. In applying this provision to concurrent directorship in entities within a conglomerate, each entity where the non-executive director is concurrently serving as director shall be separately considered in assessing compliance with this requirement.
- c. The Board should have at least one-third (1/3) but not less than two (2) be independent directors (ID); Provided, that any fractional result from applying the required minimum proportion, i.e., one-third (1/3), shall be rounded-up to nearest whole number.
- d. Non-Filipino citizens may become members of the board of directors of First Metro to the extent of the foreign participation in the equity of First Metro: Provided, that pursuant to Section 05 of the Presidential Decree No. 129, a majority of the directors must be citizens of the Philippines.

2. Powers/Responsibilities and Duties of the Board

a. Powers of the Board

The corporate powers of a bank shall be exercised, its business conducted and all its property controlled and held, by its board of directors. The powers of the board of directors as conferred by law are original and cannot be revoked by the stockholders. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank.

b. General Responsibility of the Board

The position of a director is a position of trust. A director assumes certain responsibilities to different constituencies or stakeholders, i.e., the Company itself, its stockholders, its investors and other creditors, its management and employees, the regulators, and the public at large. These constituencies and stakeholders have the right to expect that the Company is being run in a prudent and sound manner. The board of directors is primarily responsible for approving and overseeing the implementation of the Company's strategic objectives, risk strategy, corporate governance, and corporate values. Further, the board of directors is also responsible for monitoring and overseeing the performance of senior management as the latter manages the day-to-day affairs of the institution.

The Board should formulate the corporation's vision, mission, strategic objectives, policies, and procedures that shall guide its activities.

It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interest of its stockholders and other stakeholders.

c. Specific Duties and Responsibilities of the Board

The board of directors is primarily responsible for defining First Metro's vision and mission. The board of directors has the fiduciary responsibility to the Company and all its shareholders including minority shareholders. It shall approve and oversee the implementation of strategies to achieve corporate objectives. It shall also approve and oversee the implementation of the risk governance framework and the systems of checks and balances. It shall establish a sound corporate governance framework. The board of directors shall approve the selection of the President/CEO and key members of the senior management and control functions and oversee their performance.

1) *The board of directors shall define First Metro's corporate culture and values. It shall establish a code of conduct and ethical standards in the Company and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body. In this regard, the board of directors shall:*

- (i) Approve a code of conduct or code of ethics, which shall articulate acceptable and unacceptable activities, transactions and behaviors that could result or potentially result in conflict of interest, personal gain at the expense of the Company as well as the corresponding disciplinary actions and sanctions. The code of conduct shall explicitly provide that director, officers, and all personnel are expected to conduct themselves ethically and perform their job with skill, due care, and diligence in addition to complying with laws, regulations, and company policies.

- (ii) Consistently conduct the affairs of First Metro with a high degree of integrity and play a lead role in establishing the Company's corporate culture and values. The board of directors shall establish, actively promote, and communicate a culture of strong governance in First Metro, through adopted policies and displayed practices. The board of directors shall ensure that the President/CEO and executive team champion the desired values and conduct, and that they face material consequences if there are persistent or high-profile conduct and value breaches.
 - (iii) Oversee the integrity, independence, and effectiveness of First Metro's policies and procedures for whistleblowing. It shall allow employees to communicate, with protection from reprisal, legitimate concerns about illegal, unethical, or questionable practices directly to the board of directors or to any independent unit. Policies shall likewise be set on how such concerns shall be investigated or addressed, for example, by an internal control function, an objective external party, senior management and/or the board of directors itself. It shall prevent the use of facilities of First Metro in the furtherance of criminal and other improper or illegal activities, such as but not limited to financial misreporting, money laundering, fraud, bribery, or corruption.
- 2) *The board of directors shall be responsible for approving First Metro's objectives and strategies and in overseeing management's implementation thereof. In this regard, the board of directors shall:*
- (i) Ensure that the Company has beneficial influence on the economy by continuously providing services and facilities, which will be supportive of the national economy.
 - (ii) Approve the Company's strategic objectives and business plans. These shall take into account First Metro's long-term financial interests, its level of risk tolerance, and ability to manage risks effectively. In this respect, the board of directors shall establish a system for measuring performance against plans.
 - (iii) Actively engage in the affairs of the Company and keep up with materials changes in First Metro's business and regulatory environment as well as act in a timely manner to protect the long-term interests of the Company.
 - (iv) Approve and oversee the implementation of policies governing major areas of First Metro's operations. The board of directors shall regularly review these policies, as well as evaluate control functions (e.g., internal audit, risk management and compliance) with senior management to determine areas for improvement as well as to promptly identify and address significant risks and issues.
- 3) *The board of directors shall be responsible for the appointment/selection of key members of senior management and heads of control functions and for the approval of a sound remuneration and other incentives policy for personnel. In this regard, the board of directors shall:*
- (i) Oversee selection of the President/CEO and other key personnel, including members of senior management and heads of control functions based on the application of fit and proper standards. Integrity, technical expertise, and experience in First Metro's business, either current or planned, shall be the key considerations in the selection process. Moreover, since mutual trust and a close working relationship are important, the members of senior management shall uphold the general operating philosophy, vision, and core values of the Company.

- (ii) Approve and oversee the implementation of performance standards as well as remuneration and other incentives policy. The policy should be consistent with the long-term strategic objectives and financial soundness of the Company and should promote good performance, convey acceptable risk-taking behavior, and reinforce First Metro's operating and risk culture.
 - (iii) Oversee the performance of senior management and heads of control functions:
 - (a) The board of directors shall regularly monitor and assess the performance of the management team and heads of control functions based on approved performance standards.
 - (b) The board of directors shall hold members of senior management accountable for their actions and enumerate the possible consequences if those actions are not aligned with the board of directors' performance expectations. These expectations shall include adherence to First Metro's values, risk appetite and risk culture, under all circumstances.
 - (c) The board of directors shall regularly meet with senior management to engage in discussions, question, and critically review the reports and information provided by the latter.
 - (d) Non-executive board members shall meet regularly, other than in meetings of the audit, risk oversight, and corporate governance in the absence of senior management, with the external auditor and heads of the internal audit, compliance and risk management functions.
 - (iv) Engage in succession planning for the President/CEO and other critical positions, as appropriate. In this respect, the board of directors shall establish an effective succession planning program. The program should include a system for identifying and developing potential successors for the President/CEO and other critical positions.
 - (v) Ensure that personnel's expertise and knowledge remain relevant. The board of directors shall provide its personnel with regular training opportunities as part of a professional development program to enhance their competencies and stay abreast of developments relevant to their areas of responsibility.
- 4) *The board of directors shall be responsible for approving and overseeing the implementation of First Metro's corporate governance framework. In this regard, the board of directors shall:*
- (i) Define appropriate governance structure and practices for its own work, and ensure that such practices are followed and periodically reviewed:
 - i. The board of directors shall structure itself in a way, including in terms of size and frequency of meetings, to promote efficiency, critical discussion of issues, and thorough review of matters. The board of directors shall meet regularly to properly discharge its functions, and likewise have discussions on values, conduct and behaviors.
 - ii. The board of directors shall create committees to increase efficiency and allow deeper focus in specific areas. The number and nature of board-level committees would depend on the size of the Company and the board of directors, First Metro's

complexity of operations, as well as the board of directors' long-term strategies and risk tolerance.

- iii. The board of directors shall regularly review the structure, size, and composition of the board of directors and board-level committees with the end in view of having a balanced membership. Towards this end, a system and procedure for evaluation of the structure, size, and composition of the board of directors and board-level committees shall be adopted which shall include, but not limited to, benchmark and peer group analysis. The results of assessment shall form part of the ongoing improvement efforts of the board of directors.
 - iv. The board of directors shall adopt policies aimed at ensuring that members of the board of directors are able to commit to effectively discharge their responsibilities, which shall include policy on the number of directorship positions and/or other internal/external professional commitments that a director may have, commensurate with the responsibilities placed on the director, as well as the nature, scale, and complexity of First Metro's operations.
 - v. The board of directors shall ensure that individual members of the board of directors and the shareholders are accurately and timely informed of a comprehensive and understandable assessment of First Metro's performance, financial condition, and risk exposures. All members of the board of directors shall have reasonable access to any information about First Metro at all times. The board of directors shall also ensure that adequate and appropriate information flows internally and to the public.
 - vi. The board of director shall assess at least annually its performance and effectiveness as a body, as well as its various committees, the President/CEO, the individual directors, and First Metro itself, which may be facilitated by the corporate governance committee or external facilitators. This exercise shall cover the assessment of the ongoing suitability of each board member considering his or her performance in the board of directors and board-level committees.
 - vii. The board of directors shall maintain appropriate records (e.g., meeting minutes or summaries of matters reviewed, recommendations made, decisions taken and dissenting opinions) of its deliberations and decisions. The board of directors shall also ensure that independent views in meetings of the board of directors shall be given full consideration and all such meetings shall be duly transcribed.
- (ii) Develop remuneration and other incentives policy for directors that shall be submitted for approval of the stockholders. The board of directors shall ensure that the policy is consistent with the long-term interest of First Metro, does not encourage excessive risk-taking, and is not in conflict with the director's fiduciary responsibilities.
 - (iii) Adopt a policy on retirement for directors and officers, as part of the succession plan, to promote dynamism and avoid perpetuation in power.
 - (iv) Conduct and maintain the affairs of First Metro within the scope of its authority as prescribed in its charter and in existing laws, rules and regulations. It shall ensure effective compliance with the latter, which include prudential reporting obligations. Serious weaknesses in adhering to these duties and responsibilities may be considered as unsafe and unsound practice.

- (v) Maintain, and periodically update, organizational rules, by-laws, or other similar documents setting out its organization, rights, responsibilities, and key activities. The board of directors shall ensure that First Metro's organizational structure facilitates effective decision-making and good governance. This includes clear definition and delineation of the lines of responsibility and accountability.
- (vi) Oversee the development, approve, and monitor implementation of corporate governance policies. The board of directors shall ensure that corporate governance policies are followed and periodically reviewed for ongoing improvement.
- (vii) Approve an overarching policy on the handling of Related Party Transactions to ensure that there is effective compliance with existing laws, rules and regulations at all times, that these are conducted on an arm's length basis, and that no stakeholder is unduly disadvantaged.
- (viii) Approve policy on having directors or officers with interlocking positions in other entities, which shall cover, among others, the following:
 - a. Cases and the corresponding rationale when the BSFI shall allow/appoint directors or officers to have/with interlocking positions in other entities: the sectors or industries of the entities where the directors or officers may assume other positions; interlocking positions that may be held by directors or officers; and limit on the number of entities where the director or officer may hold interlocking positions;
 - b. Measures to avoid excessive concentration of economic power, unfair competitive advantage and abusive practices. The policy shall also include the measures in handling conflict of interest situations;
 - c. Requirements to obtain approval from the board of directors or the appropriate authority designated in the BSFI prior to acceptance of interlocking directorship/officership positions in other entities;
 - d. Requirements to obtain proof of disclosures to and consent from all the involved entities on interlocking positions outside the banking group/conglomerate; and
 - e. Courses of action incase conflict of interest arise or when the performance of the director or officer has been affected by the interlocking positions held.
- (ix) Ensure effective governance process on the selection and appointment of directors and/or officers who are holding interlocking positions in other entities and in approving the acceptance of director and/or officers of interlocking position in other entities. The governance process shall cover continuous assessment of potential conflict of interest in entities involved as well as the interlocking positions held.
- (x) Ensure that directors and/or officer holding interlocking positions in other entities effectively carry out their duties and responsibilities in the BSFI. It shall be the responsibility of the board of directors to conduct a periodic performance evaluation of the concern directors and officers measured against agreed upon standards for the position. The board of directors shall immediately take appropriate actions should the results of performance evaluation reflect that the performance of the function in the BSFI has been adversely affected by the interlocking positions held by the director and/or officer.

- (xi) Ensure that the control functions (i.e. risk management, compliance, and internal audit) cover the assessment of adherence to internal policies and regulatory expectations on the interlocking positions held by the directors and/or officers. For the interlocking positions held by head of control functions, the assessment shall be performed by the board of directors or board-level committee to whom they functionally report to.
- 5) *The board of directors shall be responsible for approving First Metro's risk governance framework and overseeing management's implementation thereof. In this regard, the board of directors shall:*
- (i) Define First Metro's risk appetite. In setting the risk appetite, the board of directors shall consider the business environment, regulatory landscape, and the Company's long-term interests and ability to manage risk.
 - (ii) Approve and oversee adherence to the risk appetite statement (RAS), risk policy, and risk limits.
 - (iii) Oversee the development of, approve, and oversee the implementation of policies and procedures relating to the management of risks throughout First Metro.
 - (iv) Define organizational responsibilities following the three lines of defense framework. The business line functions will represent the first line of defense, the risk management and compliance functions for the second line of defense, and the internal audit functions for the third line of defense. In this regard,
 - (a) The board of directors shall ensure that the risk management, compliance, and internal audit functions have proper stature in the organization, have adequate staff and resources, and carry out their responsibilities independently, objectively, and effectively.
 - (b) The board of directors shall ensure that non-executive board members meet regularly, with the external auditor and heads of internal audit, compliance, and risk management functions other than in meetings of the audit and risk oversight committees, in the absence of senior management.
- 6) *Consistently conduct the affairs of First Metro with a high degree of integrity.* The board shall lead in establishing the tone of good governance from the top and in setting corporate values, code of conduct and other standards of appropriate behavior for itself, the senior management, and other employees. The board shall have the overall responsibility in ensuring that transactions with related parties are handled in a sound and prudent manner, with integrity, and in compliance with applicable laws and regulations to protect the interests of creditors and other stakeholders. The board shall observe good governance and approve an overarching policy on the handling of related party transactions to ensure that there is effective compliance with existing laws, rules, and regulations at all times, that these are conducted at arm's length basis, and that no stakeholder is unduly disadvantaged.

3. Stockholder's Rights and Protection of Minority Stockholders' Interests

The company recognizes that the most cogent proof of good corporate governance is that which is visible to the eyes of its investors. Therefore, the following provisions are issued for the guidance of all internal and external parties concerned, as governance covenant between the company and all its investors.

- a. The Board shall respect the rights of the stockholders as provided for in the Corporation Code, namely:
- 1) Right to vote on all matters that require their consent or approval
 - (i) Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
 - (ii) Cumulative voting shall be used in the election of directors.
 - (iii) A director shall not be removed without cause if it will deny minority shareholders representation in the Board.
 - 2) Right to inspect the books and records of First Metro

All shareholders shall be allowed to inspect corporate books and records including minutes of Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.
 - 3) Right to information
 - (i) The Shareholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the company's shares, dealings with the company, relationships among directors and key officers, and the aggregate compensation of directors and officers.
 - (ii) The minority shareholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda of the meeting, provided the items are for legitimate business purposes.
 - (iii) The minority shareholders shall have access to any and all information relating to matters for which the management is accountable for and to those relating to matters for which the management shall include such information and, if not included, then the minority shareholders shall be allowed to propose to include such matters in the agenda of stockholders' meeting, being within the definition of "legitimate purposes".
 - 4) Right to Dividends
 - (i) Shareholders shall have the right to receive dividends subject to the discretion of the Board.
 - (ii) The company shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured; or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the Corporation, such as when there is a need for special reserve for probable contingencies.

5) Appraisal right

The shareholders' shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 81 of the Revised Corporation Code of the Philippines, under any of the following circumstances:

- (i) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholders or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the term of corporate existence;
- (ii) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets as provided in the Corporation Code; and
- (iii) In case of merger or consolidation.
- (iv) In case of investment of corporate funds for any purpose other than the primary purpose of the corporation.

In the above instances, the appraisal right may be exercised by any stockholder who shall have voted against the proposed corporate action by making a written demand on the corporation for payment of the fair value of his shares within thirty (30) days after the date on which the vote was taken: Provided, that failure to make the demand within such period shall be deemed a waiver of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder, upon surrender of the certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which such vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

6) Pre-emptive right

All stockholders shall have pre-emptive rights, unless the same is denied in the articles of incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of shareholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

It shall be the duty of the directors to promote shareholder rights, remove impediments to the exercise of shareholders' rights and allow possibilities to seek redress for violation of their rights. They shall encourage the exercise of shareholders' voting rights and the solution of collective action problems through appropriate mechanisms. They shall be instrumental in removing excessive costs and other administrative or practical impediments to shareholders participating in meetings and/or voting in person. The directors shall pave the way for the electronic filing and distribution of shareholder information necessary to make informed decisions subject to legal constraints.

a. Stockholders' Participation

The Board shall be transparent and fair in the conduct of the annual and special stockholders' meetings of First Metro. First Metro shall encourage the stockholders to personally right to appoint a proxy. Subject to the requirements of the By-Laws,

the exercise of such right shall not be unduly restricted and any doubt about the validity of a proxy should be resolved in the stockholder's favor.

Voting Procedures

Every stockholder entitled to vote on a particular question or matter involved shall be entitled to vote to one (1) vote for each share of stock in his name. Cumulative voting is allowed provided that the total votes cast by a stockholder shall not exceed the number of shares registered in his name as of the record multiplied by the number of directors to be elected. Matters submitted to stockholders for the ratification shall be decided by a majority vote of stockholders present in person or by proxy.

On the election of directors, nominees receiving the highest number of votes shall be declared elected following the provisions of the Corporation Code.

- b. The Board shall promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights. All shareholders shall have the opportunity to obtain effective redress for violation of these rights.
- c. The Board shall make available to the stockholders accurate and timely information to enable the latter to make a sound judgment on all matters brought to their attention for consideration or approval.

4. Conduct of Board Meetings and Quorum Requirements

The regular meeting of the Board of Directors shall be held with or without written notice at the office of the Corporation at Metro Manila or at such time and place as may be fixed by the said Board. The day, time, and frequency of said meeting shall be set by the Board of Directors. [FMIC By-Laws, Art III, Sec 4]

Special meetings of the Board of Directors, to be held in the principal office of the Corporation or at such other places as may be designated in the notice, may be called by the President at any time upon one (1) day notice to each Director, either personally or in writing or may be called by any three (3) members of the Board of Directors in like manner and with like. [FMIC By-Laws, Art. III Sec 5]

The quorum at any meeting of the Directors shall consist of a majority of the entire membership of the board, present either physically or electronically; provided, that the member who opts to participate through a teleconference shall have given notice of this option to the Secretary at least five days prior to the scheduled meeting. A majority of such quorum shall decide any question that may come before the meeting. [FMIC By-Laws, Art. III Sec 6]

The meetings of the Board may be conducted through modern technologies such as, but not limited to, teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all Board meetings every year: Provided, further, that in case of a director who is unable to physically attend or participate in Board meetings via teleconferencing or video conferencing, the Corporate Secretary shall execute a notarized certification attesting that the said director was given the agenda materials for deliberation/discussion and that his/her comments/decision thereon were submitted for deliberation/discussion and were taken up in the actual Board meeting, and that the submission of said certification shall be considered compliance with the required fifty percent (50%) minimum attendance in board meetings.

B. Directors

1. Qualifications of a Director

A director shall have the following minimum qualifications:

- a. He shall be at least twenty-five (25) years of age at the time of his election or appointment;
- b. He shall be at least a college graduate or have at least five (5) years' experience in business;
- c. He must have attended a seminar on corporate governance for board of directors (for on-boarding/orientation program for first time directors);

The following persons are exempted from attending said seminar:

- 1) Filipino citizens with recognized stature, influence and reputation in the banking community and whose business practices stand as testimonies to good corporate governance;
- 2) Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board members; or
- 3) Former Chief Justices of the Philippine Supreme Court.

Provided, that this exemption shall not apply to the annual training requirements for the members of the board of directors.

- d. He must be fit and proper for the position of a director of an investment house. In determining whether a person is fit and proper for the position of director, the following matters must be considered:
 - Integrity/probity;
 - Physical/mental fitness
 - Competence;
 - Relevant education, financial literacy/training;
 - Diligence; and
 - Knowledge/experience

In assessing a director's integrity/probity, consideration shall be given to the director's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

The foregoing qualifications for directors shall be in addition to those required or prescribed under existing applicable laws and regulations.

2. Definition of Directors

Directors shall include:

- a. Directors who are named as such in the Articles of Incorporation;
- b. Directors duly elected in subsequent meetings of the stockholders; and
- c. Those elected to fill vacancies in the Board of Directors.

3. Non-Executive Directors & Independent Directors

The Board should be composed of a majority of non-executive directors who possess the necessary qualifications to effectively participate and help secure objective, independent judgement on corporate affairs and to carry out proper checks and balances.

The Board should have at least two (2) independent directors, or such number as to constitute at least one-third of the members of the Board, whichever is higher.

In selecting independent directors, the number and types of entities where the candidate is likewise elected as such, shall be considered to ensure that he will be able to devote sufficient time to effectively carry out his duties and responsibilities.

An independent director shall refer to any person who, ideally:

- a. Is not or has not been a senior officer or employee of First Metro unless there has been a change in the controlling ownership of the Company;
- b. Is not or has not been in the two (2) years immediately preceding the election, a director of First Metro; a director, officer, employee of the Company's subsidiaries, associates, affiliates, or related companies; or a director, officer, employee of First Metro's substantial stockholders and its related companies.
- c. Has not been appointed in First Metro, its subsidiaries, associates, affiliates, or related companies as Chairman "Emeritus," "Ex-Officio" Directors/Officers or Members of any Advisory Board, or otherwise appointed in a capacity to assist the Board in the performance of its duties and responsibilities within two (2) years immediately preceding his election;
- d. Is not an owner of more than two percent (2%) of the outstanding shares of First Metro, its subsidiaries, associates, affiliates and related companies. or a stockholder with shares of stock sufficient to elect one (1) seat in the board of directors of the institution, or in any of its related companies or of its majority corporate shareholders;
- e. Is not a relative of a director, officer, or substantial stockholder of First Metro or any of its related companies or any of its substantial shareholders. For this purpose, relative include spouse, parent, child, brother, sister, and the spouse of such child, brother or sister;
- f. Is not acting as a nominee or representative of any director of First Metro or any of its related companies;
- g. Is not or was not retained as professional adviser, consultant, agent or counsel of First Metro, any of its related companies or any of its substantial shareholders, either in his personal capacity or through his firm during the past two (2) years counted from the date of his election;
- h. Does not engage or has not engaged, whether by himself or with other persons or through a firm of which he is a partner, director, or substantial shareholder, in any transaction with First Metro or any of its related companies or substantial shareholders, other than such transactions that are conducted at arm's length and could not material interfere with or influence the exercise of his independent judgment within the two (2) years immediately preceding the date of his election.
- i. Is not affiliated with any non-profit organization that receives significant funding from First Metro or any of its related companies or substantial shareholders; and

- j. Is not employed as an executive officer of another company where any of First Metro's executives serve as directors.

The non-executive directors shall have separate periodic meeting with the external auditors and heads of the internal audit, compliance, and risk functions, without any executive directors present to ensure that proper checks and balances are in place within the Company. The meeting should be chaired by the lead independent director, if applicable.

4. Lead Independent Director

The Board should designate a lead director among the independent directors if the Chairman of the Board is not independent, including if the positions of the Chairman of the Board and the President are held by one person.

The function of the lead independent director includes, among others, the following:

- a. Serves as an intermediary between the Chairman and the other directors when necessary.
- b. Convenes and chairs meetings of the NEDs; and
- c. Contributes to the performance evaluation of the Chairperson, as required.

5. Limit for Independent Directors

An independent director of First Metro may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same First Metro but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012. In the instance that a company wants to retain an independent director who has served for nine (9) years, the Board should provide meritorious justification/s and seek shareholders' approval during the annual shareholders' meeting.

6. Specific Duties and Responsibilities of a Director

- a. *To remain fit and proper for the duration of his term.* A director is expected to remain fit and proper for the position for the duration of his term. He should possess unquestionable credibility to make decisions objectively and resist undue influence. He shall treat board directorship as a profession and shall have a clear understanding of his duties and responsibilities as well as his role in promoting good governance. Hence, he shall maintain his professional integrity and continuously seek to enhance his skills, knowledge and understanding of the activities that the First Metro is engaged in or intends to pursue as well as developments in the banking industry including regulatory changes through continuing education or training.
- b. *To conduct fair business transactions with First Metro and ensure that personal interest does not bias board decisions.* Directors should, whenever possible, avoid situations that would give rise to a conflict of interest. If transactions with the institution cannot be avoided, it should be done in the regular course of business and upon terms not less favorable to the institution than those offered to others. The basic principle to be observed is that a director should not use his position to make profit or to acquire benefit or advantage for himself and/or his related interests. He should avoid situations that would compromise this impartiality.
- c. *To act honestly and in good faith, with loyalty and in the best interest of the institution, its stockholders, regardless of the amount of their stockholdings, and other stakeholders such as its investors, borrowers, other clients and general public.* A director must always act in good faith, with the care which an ordinary prudent man would exercise under similar circumstances.

While a director should always strive to promote the interest of all stockholders, he should also give due regard to the rights and interests of other stakeholders.

- d. *To devote time and attention necessary to properly discharge their duties and responsibilities.* Directors should devote sufficient time to familiarize themselves with the institution's business. They must be constantly aware of the institution's condition and be knowledgeable enough to contribute meaningfully to the board's work. They must attend and actively participate in board and committee meetings, request and review meeting materials, ask questions, and request explanations. If a person cannot give sufficient time and attention to the affairs of the institution, he should neither accept his nomination nor run for election as member of the board.
- e. *To act judiciously.* Before deciding on any matter brought before the BOD, every director should thoroughly evaluate the issues, ask questions and seek clarifications when necessary.
- f. *To contribute significantly to the decision-making process of the board.* Directors should actively participate and exercise objective independent judgment on corporate affairs requiring the decision or approval of such board.
- g. *To exercise independent judgment.* A director should view each problem/situation objectively. When a disagreement with others occurs, he should carefully evaluate the situation and state his position. He should not be afraid to take a position even though it might be unpopular. Corollary, he should support plans and ideas that he thinks will be beneficial to the institution.
- h. *To be generally informed of both First Metro's business environment and legal and regulatory framework controlling its activities.* A director should have a working knowledge of the statutory and regulatory requirements affecting the institution, including the content of its articles of incorporation and by-laws, the requirements of the BSP and where applicable, the requirements of other regulatory agencies and must exercise care to see that these are not violated. He should also keep himself informed of the industry developments and business trends in order to safeguard the institution's competitiveness.
- i. *To observe confidentiality.* A director must observe the confidentiality of non-public information acquired by reason of his position as director. He may not disclose said information to any other person without the authority of the board.

7. Disqualifications of a Director

- a. Permanent Disqualification
 - 1. Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22, violation of Anti-Graft and Corrupt Practices and prohibited acts under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
 - 2. Persons who have been convicted by final judgment of a court sentencing them to serve a maximum term of imprisonment of more than six (6) years;
 - 3. Persons who have been convicted by final judgment of the court for violation of banking rules, laws and regulations;
 - 4. Persons who have been judicially declared insolvent; spendthrift, or incapacitated to contract;

5. Directors, officers or employees of closed institutions under the supervisory and regulatory powers of the Bangko Sentral who were responsible for such institutions' closure as determined by the Monetary Board;
6. Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in the SRC; (b) arises out of the person's conduct as an underwriter, broker, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliated person of any of them;
7. Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the Commission or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting as director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging in or continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and (b) above, or willfully violating the laws that govern securities and banking activities;

The disqualification shall also apply if such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, Securities Regulation Code or any other law administered by the Commission or (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization;

8. Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts;
9. Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, Securities Regulation Code or any other law administered by the SEC or BSP, or any of its rule, regulation or order;
10. Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation;
11. Any person finally found guilty by a foreign court or equivalent financial regulatory authority of acts, violations, or misconduct similar to any of the acts, violations or misconduct enumerated in sub-paragraphs (8) to (10) above.
12. Conviction by final judgment of an offense punishable by imprisonment for a period exceeding six (6) years, or a violation of the Revised Corporation Code of the Philippines and Securities Regulation Code committed within five (5) years prior to the date of his election or appointment.

b. Temporary Disqualification

1. Persons who refuse to fully disclose the extent of their business interest or any material information to the appropriate supervising department of BSP when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;
2. Directors who have been absent or who have not participated in for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that when a notarized certification executed by the corporate secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. This disqualification applies only for purposes of the immediately succeeding election.
3. Persons who are delinquent in the payment of their obligations as defined hereunder:
 - i. Delinquency in the payment of obligations means that an obligation of a person with the institution where he is a director or officer, or at least two (2) obligations with other financial institutions, under different credit lines or loan contracts, are past due pursuant to Sec 304 of the MORB;
 - ii. Obligations shall include all borrowings from any Financial Institution obtained by:
 - a. A director/ or officer for his own account or as the representative or agent of others or where he acts as a guarantor, endorser or surety for loans from such FIs;
 - b. The spouse or child under parental authority of the director or officer;
 - c. Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of, a director or officer;
 - d. A partnership of which a director or officer, or his spouse is the managing partner or a general partner owning a controlling interest in the partnership; and
 - e. A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing Items “(a)”, “(b)” and “(d)”;

This disqualification shall be in effect as long as the delinquency persists.

4. Persons convicted for offenses involving dishonesty, breach of trust or violation of banking laws but whose conviction has not yet become final and executory;
5. Directors and officers of closed institutions under the supervisory and regulatory powers of the Bangko Sentral pending their clearance by the Monetary Board;
6. Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate supervising department of Bangko Sentral of such directors' election/re-election;

7. Directors who failed to attend the special seminar for corporate governance for board of directors. This disqualification applies until the director concerned had attended such seminar;
8. Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity or upon clearance, on their request, from the Monetary Board after showing good and justifiable reasons, or after the lapse of five (5) years from the time they were officially advised by the appropriate department of the FSD of their disqualification;
9. Those under preventive suspension;
10. Persons with derogatory records as certified by, or on the official files of, the judiciary, NBI, Philippine National Police (PNP), quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies or authorities of foreign countries for irregularities or violations of any law, rules and regulations that would adversely affect the integrity of the director/officer or the ability to effectively discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/violations or after a lapse of five (5) years from the time the complaint, which was the basis of the derogatory record, was initiated;
11. Refusal to comply with the disclosure requirements of the SRC and its IRR the disqualification shall be in effect as long as the refusal persists;
12. Dismissal or termination for cause as director of any corporation covered by Code. The disqualification shall be in effect until he has cleared himself of any involvement in the cause that gave rise to his dismissal or termination;
13. If the beneficial equity ownership of an independent director in the corporation or its subsidiaries and affiliates exceeds two percent (2%) of its subscribed capital stock. The disqualification shall be lifted if the limit is later complied with;
14. If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final.

A temporary disqualified director shall, within sixty (60) business days from such disqualification, take appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.

8. Disqualification Procedures

- a. The board of directors and management of every institution shall be responsible for determining the existence of the ground for disqualification of the institution's director/officer or employee and for reporting the same to the BSP. While the concerned institution may conduct its own investigation and impose appropriate sanction/s as are allowable, this shall be without prejudice to the authority of the Monetary Board to disqualify a director/officer/employee from being elected/appointed as director/officer in any FI under the supervision of the BSP. Grounds for disqualification made known to the institution, shall be reported to the appropriate supervising department within seventy-two (72) hours from knowledge thereof.
- b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification, the director or officer concerned shall be notified in writing either by personal service or through registered mail with registry return receipt card at his/her last known address by the appropriate supervising department of the existence of the ground for his/her

disqualification and shall be allowed to submit within fifteen (15) calendar days from receipt of such notice an explanation on why he/she should not be disqualified and included in the watchlisted file, together with the evidence in support of his/her position. The head of said department may allow an extension on meritorious ground.

- c. Upon receipt of the reply/ explanation of the director/officer concerned, the appropriate supervising department shall proceed to evaluate the case. The director/officer concerned shall be afforded the opportunity to defend/clear himself/herself.
- d. If no reply has been received from the director/officer concerned upon the expiration of the period prescribed under Item "b" above, said failure to reply shall be deemed a waiver and the appropriate supervising department shall proceed to evaluate the case based on available records/evidence.
- e. If the ground for disqualification is delinquency in the payment of obligation, the concerned director or officer shall be given a period of thirty (30) calendar days within which to settle said obligation or, restore it to its current status or, to explain why he/she should not be disqualified and included in the watchlisted file, before the evaluation on his disqualification and watchlisting is elevated to the Monetary Board.
- f. For directors/officers of closed banks, the appropriate supervising department shall make appropriate recommendation to the Monetary Board clearing said directors/officers when there is no pending case/complaint or evidence against them. When there is evidence that a director/officer has committed irregularity, the appropriate supervising department shall make recommendation to the Monetary Board that his/her case be referred to the Office of Special Investigation (OSI) for further investigation and that he/she be included in the masterlist of temporarily disqualified persons until the final resolution of his/her case. Directors/officers with pending cases/complaints shall also be included in said masterlist of temporarily disqualified persons upon approval by the Monetary Board until the final resolution of their cases. If the director/officer is cleared from involvement in any irregularity, the appropriate supervising department shall recommend to the Monetary Board his/her delisting. On the other hand, if the director/officer concerned is found to be responsible for the closure of the institution, the concerned supervising department shall recommend to the Monetary Board his/her delisting from the masterlist of temporarily disqualified persons and his/her inclusion in the masterlist of permanently disqualified persons.
- g. If the disqualification is based on dismissal from employment for cause, the appropriate supervising department shall, as much as practicable, endeavor to establish the specific acts or omissions constituting the offense or the ultimate facts which resulted in the dismissal to be able to determine if the disqualification of the director/officer concerned is warranted or not. The evaluation of the case shall be made for the purpose of determining if disqualification would be appropriate and not for the purpose of passing judgment on the findings and decision of the entity concerned. The appropriate supervising department may decide to recommend to the Monetary Board a penalty lower than disqualification (e.g., reprimand, suspension, etc.) if, in its judgment the act committed or omitted by the director/officer concerned does not warrant disqualification.
- h. All other cases of disqualification, whether permanent or temporary shall be elevated to the Monetary Board for approval and shall be subject to the procedures provided in Items "a", "b", "c" and "d" above.
- i. Upon approval by the Monetary Board, the concerned director/officer shall be informed by the appropriate supervising department in writing either by personal service or through registered mail with registry return receipt card, at his/her last known address of his/her disqualification

- from being elected/ appointed as director/officer in any FI under the supervision of BSP and/or of his/her inclusion in the masterlist of watchlisted persons so disqualified.
- j. The board of directors of the concerned institution shall be immediately informed of cases of disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. Within seventy-two (72) hours thereafter, the corporate secretary shall report to the Governor of the BSP through the appropriate supervising department the action taken by the board on the director/officer involved.
 - k. Persons who are elected or appointed as director or officer in any of the BSP-supervised institutions for the first time but are subject to any of the grounds for disqualification shall be afforded the procedural due process prescribed above.
 - l. Whenever a director/officer is cleared in the process mentioned under Item “c” above or, when the ground for disqualification ceases to exist, he/she would be eligible to become director or officer of any bank, QB, trust entity or any institution under the supervision of the BSP only upon prior approval by the Monetary Board. It shall be the responsibility of the appropriate supervising department to elevate to the Monetary Board the lifting of the disqualification of the concerned director/officer and his/her delisting from the masterlist of watchlisted persons.

9. Removal Procedures

- a. A director may be removed from office by a vote of the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock.
- b. The removal shall take place either at the regular stockholders’ meeting or at a special meeting called for that purpose, and in either case, after previous notice to stockholders of the intention to propose such removal at the meeting.
- c. The Corporate Secretary shall call a special meeting, on order of the President or on the written demand of the stockholders representing or holding at least a majority of the outstanding capital stock for the purpose of removal of a director.

Should the Corporate Secretary fail or refuse to call the special meeting upon such demand or fail or refuse to give the notice, of if there is no secretary, the call for the meeting shall be addressed directly to the stockholders by any stockholder signing the demand. Notice of the time and place of such meeting, as well as of the intention to propose such removal, must be given publication or by written notice prescribed by the Corporation Code of the Philippines. Removal may be with or without cause; provided that removal without cause may not be used to deprive minority stockholders of their right of representation to which they may be entitled under Section 24 of the Corporation Code of the Philippines.

- d. A director removed from office is not eligible for re-election and/or to be reappointed to the board unless written a consent is obtained from the stockholders holding or representing at least two-thirds (2/3) of the outstanding capital stock.

10. Vacancies in the office of the director

Any vacancy occurring in the Board of Directors other than by removal by the shareholders or by expiration of term, may be filled by the vote of at least a majority of the remaining directors, if still constituting a quorum; otherwise, said vacancies must be filled by the shareholders in a regular or special meeting called for that purpose. A director so elected to fill a vacancy shall be elected only for the unexpired term of the predecessor in office. Any directorship to be filled up by reason of an increase in the number of directors shall be filled only by an election at a regular or at a special

meeting of shareholders duly called for the purpose, or in the same meeting authorizing the increase of directors if so stated in the notice of the meeting.

11. Multiple Board Seats

Taking into consideration the capacity of a director to perform his duties and responsibilities, the nature and kind of corporations he may be director of and the limitation diligently and efficiently on concurrent directorship in various companies, it is presumed that the director has conducted his own due diligence to ensure that acceptance of such directorship will not be unfavorable to the Company. In line with best corporate governance practice, acceptance of any additional directorship should be immediately disclosed to the Board.

C. Duties and Responsibilities of the Chairman of the Board and the President

The roles of the Chairman and the President shall, as much as practicable, be separate to foster an appropriate balance of power, increased accountability and better capacity for independent decision-making of the board. The respective powers and duties of the Chairman and the President are delineated in the company's By-Laws.

1. Role of the Chairman of the Board of Directors

- a. The Chairman of the board of directors shall provide leadership in the board of directors. He shall ensure effective functioning of the board of directors, including maintaining a relationship of trust with board members. He shall: (1) ensure that the meeting agenda focuses on strategic matters including discussion on risk appetites, and key governance concerns; (2) ensure a sound decision making process; (3) encourage and promote critical discussion; (4) ensure that dissenting views can be expressed and discussed within the decision-making process; (5) ensure that members of the board of directors receives accurate, timely, and relevant information; (6) ensure the conduct of proper orientation for first time directors and provide training opportunities for all directors; and (7) ensure conduct of performance evaluation of the board of directors at least one a year.
- b. Qualifications of the Chairman of the board of directors. To promote checks and balances, the Chairman of the board of directors shall be a non-executive regular director or an independent director, and must not have served as President/CEO of the First Metro within the past three (3) years. Based on the By-Laws, the Chairman shall preside at all meetings of the Board of Directors and shareholders and shall perform such functions and exercise such duties as may be delegated to him by the Board of Directors.

2. Role of the President

Based on the By-Laws, the President shall be the Chief Executive Officer of the corporation and shall have general supervision and management over the activities and affairs of the corporation, shall sign and countersign all certificates of stock, and, as authorized by the Board of Directors, all contracts and other instruments of the Corporation, shall make reports to the Board of Directors and shareholders as the may require, shall see to it that resolutions and policies of the board of directors are duly executed and carried out and shall perform all such other duties and functions as are incidental to his office or properly delegated to or required of him by the Board of Directors.

D. Board Committees

To aid in complying with the principles of good corporate governance, the following Committees have been constituted:

- Executive Committee
- Nominations Committee
- Audit Committee
- Risk Oversight Committee
- Corporate Governance and Compensation Committee

1. Executive Committee

- a. The Executive Committee shall be composed of not less than three (3) members of the Board to be appointed by the Board. The Chairman and Vice-Chairman of the Executive Committee shall also be appointed by the Board among the Executive Committee members who are also members of the Board of Directors.
- b. The Board may delegate to the Executive Committee the executive powers over the management of the Company. Between meetings of the Board, the Executive Committee assumes powers, duties and functions of the Board as my properly delegated. .
- c. The Executive Committee can also act for the Board between meeting of the Board and during emergencies when the Board cannot properly convene.
- d. Matters affecting general policy shall always be referred to the Board of Directors

2. Nominations Committee

- a. The Board shall create a Nomination Committee which shall have at least three (3) voting directors, one (1) of whom must be independent. Frequency of meeting shall be at least annually or whenever a key vacancy occurs. It shall have a charter approved by the Board of Directors and reviewed and updated at least annually.
- b. It is tasked to assist the board of directors in defining and assessing board membership criteria and in ensuring that a process that identifies and develops highly qualified individuals take on key board and board committee positions when vacancies occur is in place.
- c. It shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors as well as those nominated in other positions requiring appointment by the Board of Directors. It is responsible for preparing and reviewing the list of nominee directors for election during the stockholders' meeting, ensuring that each director have the qualifications and none of the disqualifications pursuant to relevant regulations.
- d. It is in charge of reviewing and recommending membership in the committees to the board.
- e. The Nominations Committee shall consider the following guidelines in the determination of the number of directorships for the Board:
 - 1) The nature of the business of the Corporations which he is a director;
 - 2) Age of the director;
 - 3) Number of directorships/active memberships and officerships in other corporations or organizations; and

- 4) Possible conflict of interest.

The optimum number shall be related to the capacity of a director to perform his duties diligently in general.

3. Audit Committee¹

- a. The Audit Committee shall be composed of at least three (3) members of the board of directors, who shall all be non-executive directors, majority of whom shall be independent directors, including the Chairperson: Provided, that the Chairperson of the audit committee shall not be the Chairperson of the board of directors or of any other board-level committees.

The Audit Committee shall have accounting, auditing or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the First Metro. It shall have access to independent experts to assist them in carrying out their responsibilities.

- b. Upon setting up the Audit Committee, the Board of Directors shall draw up a written charter or Terms of Reference which clearly sets out the Audit Committee's authority and duties, as well as reporting relationship with the Board of Directors. This Charter shall be approved by the Board of Directors and reviewed and updated periodically. The Audit Committee shall meet at least quarterly.

- c. Duties and Responsibilities

The Audit Committee shall:

- 1) Oversee the financial reporting framework. The committee shall oversee the financial reporting process, practices and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
- 2) Monitor and evaluate the adequacy and effectiveness of the internal control system. The committee shall oversee the implementation of internal control policies and activities. It shall ensure that periodic assessment of the internal control system is conducted to identify the weakness and evaluate its robustness considering the First Metro's risk profile and strategic direction.
- 3) Oversee the internal audit function. The committee shall be responsible for the appointment/selection, remuneration, and dismissal of internal auditor. It shall review and approve the audit scope and frequency. The committee shall ensure that the scope covers the review of the effectiveness of the First Metro's internal controls, including financial, operational and compliance controls, and risk management system. The committee shall functionally meet with the head of the internal audit and such meetings shall be duly minuted and adequately documented. In this regard, the audit committee shall review and approve the performance and compensation of the head of internal audit, and budget of the internal audit function.
- 4) Oversee the external audit function. The committee is responsible for the appointment, fees, and replacement of external auditor. It shall review and approve the engagement contract and ensure that the scope of audit likewise cover areas specifically prescribed by the BSP and other regulators.

¹ Subsection 4141Q.3 MORNBF1 as amended by BSP Circular No. 970, Series of 2017

- 5) Oversee implementation of corrective actions. The committee shall receive key audit reports and ensure that senior management is taking the necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws, and regulations and other issues identified by auditors and other control functions.
- 6) Investigate significant issues/concerns raised. The committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.
- 7) Establish whistle blowing mechanism. The committee shall establish and maintain mechanism by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

4. Risk Oversight Committee

- a. The Risk Oversight Committee shall be composed of at least three (3) members of the board of directors, majority of whom shall be independent directors, including the chairperson. The Chairperson shall not be the chairperson of the board of directors, or any other board-level committee. The committee shall possess a range of expertise and adequate knowledge on risk management issues and practices. It shall have access to independent experts to assist it in discharging its responsibilities.
- b. The Risk Oversight Committee shall have a written charter defining their duties and responsibilities of its members. The charter shall be approved by the Board of Directors and reviewed and refined periodically. The ROC shall meet at least every quarter.
- c. Duties and Responsibilities

The Risk Oversight Committee shall advise the board of directors on the First Metro's overall current and future risk appetite, oversee senior management's adherence to the risk appetite statement, and report on the state of risk culture of the First Metro. The Committee shall:

- 1) Oversee the risk management framework. The committee shall oversee the enterprise risk management framework and ensure that there is periodic review of the effectiveness of the risk management systems and recovery plans. It shall ensure that corrective actions are promptly implemented to address risk management concerns.
- 2) Oversee adherence to risk appetite. The committee shall ensure that the current and emerging risk exposures are consistent with the First Metro's strategic direction and overall risk appetite. It shall assess the overall status of adherence to the risk appetite based on the quality of compliance with the limit structure, policies, and procedures relating to risk management and control, and performance of management, among others.
- 3) Oversee the risk management function. The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the Chief Risk Officer, it shall also ensure that the risk management function has adequate resources and effectively overs the risk-taking activities of the First Metro.

5. Corporate Governance and Compensation Committee

- a. The Corporate Governance Committee shall be composed of at least three (3) members of the Board, who shall all be non-executive directors, majority of whom shall be independent directors, including the chairperson. The Committee members, including Chairman, shall have a maximum cumulative term of nine (9) year.
- b. The Corporate Governance Committee shall assist the board of directors in fulfilling its corporate governance responsibilities and in providing oversight in the implementation of FMIC's Compliance System. It is also tasked with establishing a formal and transparent procedure in determining the remuneration of directors and officers that is consistent with FMIC's culture, strategy, business environment and industry practice.
- c. The committee shall also assist the BOD in ensuring that related party transactions (RPTs), including internal group transactions, are reviewed to assess risks, are subject to appropriate restrictions to ensure that such are connected at arm's length terms, and that corporate or business resources of the Company are not misappropriated or misapplied. The function of the CGCOM shall ensure that the Company transactions with related parties are fair and transparent, and do not benefit a particular group or individual at the expense of public investors or minority shareholders.
- d. It shall have a written charter that describes the duties and responsibilities of its members approved by the Board of Directors and reviewed and updated at least annually. The Committee shall meet bi-monthly/once every two months. Special meeting may also be called as necessary.
- e. Duties and Responsibilities

The Committee shall:

- i. Oversee the implementation of the corporate governance framework and periodically reviews the said framework to ensure it remains appropriate in light of material changes to the Company's size, complexity of operations and business strategy, as well as its business and regulatory environments;
- ii. Adopt corporate governance and compliance policies, practices and structures that will enable effective oversight over entities in the group and ensures that these are reviewed and updated regularly, and consistently implemented in form and substance across the group;
- iii. Recommend to the Board matters pertaining to succession plan of senior management and remuneration packages based on corporate and individual performance.
- iv. Oversee the continuing education/training programs for the Board.
 - a. Propose and plan relevant trainings for the members of the Board.
 - b. Ensure allocation of sufficient time, budget and other resources for the continuing education of directors and draw on external expertise, as needed.
 - c. Establish and ensure effective implementation of policy for on-boarding/orientation program for first-time directors and annual continuing education for directors.
- v. Oversee the performance evaluation process
 - a. Oversee the periodic evaluation of contribution and performance (e.g. competence, candor, attendance, preparedness and participation) evaluation of the Board and its committees, executive and senior management

- b. Ensure that the results of the Board evaluation are shared, discussed and that concrete action plans are developed and implemented to address the identified areas for improvement.
 - c. Perform annual self-assessment.
 - d. Determine whether or not a director or officer who has multiple positions is able to and has been adequately carrying out his duties and, if necessary, recommend changes to the Board based upon said performance/review,
- vi. Provide oversight in the implementation of FMIC's compliance system
- a. Ensure the oversight of FMIC's compliance management is adequate
 - b. Ensure that the Compliance Program is defined for FMIC and that compliance issues are resolved expeditiously
 - c. Review, at least annually, FMIC's Compliance Program in accordance with existing regulatory requirements, in support of FMIC's goals and strategies and recommend approval thereof by the Board
 - d. Monitor the implementation of FMIC's Compliance Program and ensure that the compliance issues are resolved expeditiously
 - e. Monitor FMIC's compliance with applicable laws regulations and rules of regulatory agencies and recommend to the Board for appropriate actions
 - f. Review the regular reports submitted by the Compliance Division as well as reports on significant compliance issues, general status of FMIC's level of compliance, relevant regulations, updates and other compliance matters
 - g. Ensure that oversight of FMIC's compliance to and implementation of AML/CT/PF regulations is adequate.
- vii. Contribute to the Board's effective oversight functions over entities in the group, by requiring Compliance Division to, among others:
- a. Provide compliance oversight function over subsidiaries
 - b. Conduct a formal review of the structure, their controls and activities to assess consistency with the Board-approved policies, practices and strategies and report the results of the assessment to the CGCOM.
 - c. Ensure open communication with subsidiaries through generation and sharing of information of relevant and recent regulatory issuances and sharing and benchmarking of appropriate compliance and corporate governance best practices and policies. This is to ensure synergy of compliance including corporate governance between and among the group.
- viii. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review and update of RPT policies and procedures:
- a. Evaluate on an ongoing basis existing relation between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the BOD and regulators/supervisors.
 - b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirements, etc.) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to determine any potential reputational risk issues that may arise as result of or in connection with the transactions.
 - c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities related to Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.

- d. Report to the BOD, for approval, all RPTs that are considered material based on the company's internal policies.
- e. Report to the BOD, on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- f. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- g. Maintain a record of all RPTs courses through the Committee to facilitate verification of such transactions by external/internal auditors and regulators.

E. Management/Officers

The By-Laws enumerated the various officers of First Metro and defined their respective duties and responsibilities. Other officers may be appointed, and their duties defined by the Board as the exigencies of the service may require.

Each officer shall contribute his share in the pursuit of good governance. His service shall be characterized by honesty and integrity, diligence and dedication, efficiency and effectiveness, loyalty and fidelity, adherence to sound banking practices and the rule of law, as well as fairness and equity to all depositors and clients, constituting the banking public, his peers and colleagues in the bank and the banking community, the Board and senior officers, and the public in general.

The roles of the Chairman and President/CEO shall be separate to foster an appropriate balance of power, increase in accountability and better capacity for independent decision-making by the Board.

1. Management

Management shall provide members of the Board of Directors or its committees with complete, adequate and timely information about the matters to be taken in their meeting.

Management shall formulate rules and procedures to assist the Board or any of its committee to discharge its function and responsibilities and ensure compliance with laws, rules and regulations.

Management shall ensure that an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the corporation for the benefit of all stockholders and other stakeholders.

2. Officers

a. Qualifications of Officers

An officer must be fit and proper for the position he is being to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of competencies relevant to the functions such as knowledge and experience, skills and diligence.

In assessing an officer's integrity/probity, consideration shall be given to the officer's market reputation, observed conduct and behavior, as well as his ability to continuously comply with company policies and applicable laws and regulations, including market conduct rules, and the relevant requirements and standards of any regulatory body, professional body, clearing house or exchange, or government and any of its instrumentalities/agencies.

An appointed officer has the burden to prove that he possesses all the foregoing minimum qualifications and none of the disqualifications.

b. Disqualifications of Officers

- i. The disqualifications for directors mentioned in Item B.7 shall likewise apply to officers, except those stated in items b (2) and b(7).
- ii. The spouses or relatives within the second degree of consanguinity or affinity are prohibited from holding officership position across the following functional categories within the Company:
 - a. Decision making and senior management functions;
 - b. Treasury function;
 - c. Recordkeeping and financial reporting functions;
 - d. Safekeeping of assets;
 - e. Risk management functions;
 - f. Compliance functions; and
 - g. Internal audit functions

c. Duties and Responsibilities of Officers

- i. To set the tone of good governance from the top. Officers shall promote the good governance practices within First Metro by ensuring that policies on governance as approved by the Board of Directors are consistently adopted across First Metro;
- ii. To oversee the day-to-day management of First Metro. Officers shall ensure that the corporation's activities and operations are consistent with its strategic objectives, risk strategy, corporate values and policies as approved by the Board of Directors. They shall establish a company-wide management system characterized by strategically aligned and mutually enforcing performance standards across the organization;
- iii. To ensure that duties are effectively delegated to the staff and to establish a management structure that promotes accountability and transparency. Officers shall establish measurable standards, initiatives and specific responsibilities and accountabilities for each personnel. Officers shall oversee the performance of these delegated duties and responsibilities and shall ultimately be responsible to the Board of Directors for the performance of the corporation;
- iv. To promote and strengthen checks and balances systems. Officers shall promote sound internal controls and avoid activities that shall compromise the effective dispense of their functions. Further, they shall ensure that they give due recognition to the importance of the internal audit, compliance and external audit functions.

3. The Corporate Secretary

The Corporate Secretary plays a significant role in supporting the Board in discharging its responsibilities.

Based on the By-Laws, the Secretary who must be a citizen and resident of the Philippines shall issue notices of all meetings and shall keep their minutes, shall have charge of the seal and the corporate books, shall sign with the President the certificates of stock and such other instruments as may require such signature, and shall make such reports and perform such other duties as are incidental to his office or are properly required of him by the Board of Directors.

The Corporate Secretary shall not be a member of the Board of Directors and shall annually attend a training on corporate governance.

a. Duties and Responsibilities

- 1) Be responsible for the safekeeping and preservation of the integrity of the minutes of the Board and its committees, as well as the other official records of the corporation;
- 2) Be loyal to the mission, vision and objectives of the corporation;
- 3) Work fairly and objectively with the Board, Management, stockholders and other stakeholders;
- 4) Have appropriate administrative and interpersonal skills;
- 5) If he is not at the same time the corporation's general counsel, be aware of the laws rules, and regulations necessary in the performance of his duties and responsibilities;
- 6) Inform the members of the Board, in accordance with the by-laws, of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;
- 7) Attend all Board meetings, except when justifiable causes, such as, illness death in the immediate family and serious accidents prevent him from doing so;
- 8) Ensure that all Board procedures, rules and regulations are strictly followed by the members; and
- 9) Submit certification to the Commission not later than January 30th of the year on the attendance of directors in meetings of the board of directors as of end of fiscal year, counter signed by the Chairman of the Board.

F. Interlocking Directorships/ Officerships

1. Interlocking Directorships

Interlocking directorships in BSFIs are allowed except in cases involving banks belonging to the same category. In this respect, interlocking directorships in banks belonging to the same category if the banks: (i) are part of the same banking group; or (ii) have different models and are serving different markets or clients.

For purposes of determining interlocking directorship, a director and his/her spouse, whether legitimate or common-law, shall be considered as one (1) and the same person.

2. Interlocking Directorships and Officerships

Interlocking directorships and officerships are allowed provided that the position do not pose conflict of interests. For this purpose, the appointment should be consistent with the policy adopted by First Metro.

3. Interlocking Officership

As a general rule, interlocking officerships **shall not** be allowed except:

- d. Held in the same capacity within a banking group as (i) corporate secretary, (ii) security officer, (iii) Chief Risk Officer, Chief Compliance Officer, Head of Internal Audit, or (iv) other positions performing similar functions as those in (i) to (iii) hereof; *Provided*, That: The assumption of interlocking officerships is consistent with the enterprise risk management approach of the BSFI and the banking group where the concerned entities belong.
 - e. As corporate secretary or assistant corporate secretary between/among entities, which are not of the same banking group/conglomerate; *Provided* that:
 - i. Proof of disclosure to and consent from all of the involved entities on the interlocking officerships are obtained; and
 - ii. The positions do not pose conflict of interest and that the officer holding interlocking positions will still be able to devote sufficient time and attention to effectively carry out his/her duties and responsibilities
4. Interlocking directorship and officership between bank and an investment house are allowed subject to the requirements of this section and other applicable rules, laws, and regulations; *Provided, however*, That interlocking officership between a bank and an investment house may only be allowed where the majority or all of the equity of the investment house is owned by the bank.

5. **Secondment**

First Metro may second or transfer its employee to another entity for temporary assignment: Provided, that it has a board-approved policy on secondment and that the transfer of the employee is approved by the appropriate authority of the First Metro: Provided, further, that the secondee or the transferred employee shall relinquish all his duties, responsibilities, and authorities in the First Metro, and shall receive remuneration and other incentives from the host entity. First Metro shall submit a notice within ten (10) banking days from the approval of the secondments of employees to the appropriate supervising department of the FSD.

G. Compliance Officer

To insure adherence to corporate principles and best practices, the Chairman of the Board shall appoint a Compliance Officer who shall hold the position of Vice President or its equivalent. He shall have direct reporting responsibilities to the Chairman of the Board thru the Corporate Governance Committee.

1. Duties and Responsibilities of a Compliance Officer

- a. The compliance officer shall provide the skills and expertise to provide appropriate guidance and direction to First Metro on the development, implementation and maintenance of the compliance program.
- b. Monitor compliance with the provisions and requirements of this Manual and if any violations are found, report the matter to the Board through the Corporate Governance Committee and recommend the imposition of appropriate disciplinary action on the responsible parties and the adoption of measures to prevent a repetition of the violation.
- c. Appear before the SEC, BSP and other regulatory agencies upon summon on similar matters that need to be clarified by the same.

- d. Submission of Annual Corporate Governance Report every June 30th of the year on the extent of the Corporation's compliance.

H. Risk Management

1. Risk Management Function

The risk management function involves:

- a. Identifying the key exposures and assessing and measuring the extent of risk exposures of First Metro;
- b. Monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on its internal capital adequacy assessment on an on-going basis;
- c. Monitoring and assessing decisions to accept particular risks whether these are consistent with Board-approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation; and
- d. Reporting on a regular basis to Senior Management and to the Board of Directors of the results of the assessment and monitoring.

Risk management personnel shall possess sufficient experience and qualifications, including knowledge of the business, the developments in the market, industry and product lines, as well as mastery of risk disciplines. They shall have the ability and willingness to challenge business lines regarding all aspects of risk arising from First Metro's activities.

2. Chief Risk Officer

First Metro shall appoint a chief risk officer (CRO), or any equivalent position, who shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions. This independence shall be displayed in practice at all times as such, albeit the CRO may report to the President or Senior Management, he shall have direct access to the Board of Directors and the risk oversight committee without any impediment. In this regard, the Board or the Risk Oversight Committee shall confirm the performance ratings given by the President or Senior Management to the CRO.

The CRO shall have sufficient stature, authority and seniority within First Metro. This will be assessed based on the ability of the CRO to influence decisions that affect First Metro's exposure to the risk. The CRO shall have the ability, without compromising his independence, to engage in discussions with the Board, President and other Senior Management on key risk issues and to assess such information as he deems necessary to form his or her judgment. The CRO shall meet with the Board/Risk Oversight Committee on a regular basis and such meetings shall be duly minuted and adequately documented.

CROs shall be appointed and replaced with prior approval of the board of directors.

I. External Auditor

An external auditor shall be selected and appointed by the stockholders upon recommendation of the Board, after consultations with the Audit Committee, who shall undertake an independent audit of the corporation and shall provide an objective assurance on the manner by which financial statements shall be prepared and presented to stockholders.

The reason/s for the resignation, dismissal or cessation from service and the date thereof of an external auditor shall be reported in the company's annual and current reports. Said report shall include a discussion of any disagreement with said former external auditor on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure. A preliminary copy of the said report shall be given by the corporation to the external auditor before its submission.

The external auditor of the company shall not at the same time provide the services of an internal auditor to the same client. The Corporation shall ensure that other non-audit work shall not be in conflict with the functions of the external auditor.

The company's external auditor shall be rotated or the signing partner shall be changed every five (5) years or earlier.

If an external auditor believes that the statements made in the company's annual report, information statement or proxy statement filed during his engagement is incorrect or incomplete, he shall present his views in said reports.

The external auditor shall be subject to rules and regulations as prescribed by the BSP or the SEC.

J. Internal Auditor

An effective and efficient internal audit function constitutes the third line of defense in the system of internal control. In this regard, the Corporation shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with.

The Internal Auditor shall have a direct reporting line to the Audit Committee.

The minimum internal control mechanisms for management's operational responsibility shall center on the President/CEO, being ultimately accountable for the Corporation's organizational and procedural controls.

The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

The Internal Auditor should submit to the Audit Committee and Management an annual report on the internal audit's activities responsibilities and performance relative to the audit plans and strategies as approved by the Audit Committee. The annual report should include significant risk exposures, control issues and such other matters as may be needed or requested by the Board and Management. The Internal Auditor should certify that he conducts his activities in accordance with the International Standards on the Professional Practice of Internal Auditing. If he does not, he shall disclose to the Board and Management the reasons why he has not fully complied with the said standards.

The internal audit function may be outsourced to an external service provider or its parent company as provided under MORNBF 132-N.

K. Communication Process

This Manual shall be available for inspection by any stockholder of the Corporation at reasonable hours on business days.

All directors, executives, division and department heads are tasked to ensure the thorough dissemination of this Manual to all employees and related third parties, and to likewise enjoin compliance in the process.

L. Orientation of First-Time Directors

It is critical that new directors receive training they need in order to be an effective member of the Board and help lead the organization in the right direction. As required by regulations, all directors must have attended a special seminar on corporate governance for board of directors.

Orientation for first-time directors shall be for at least eight (8) hours. Each first-time director shall be furnished with a copy of Bank's Articles of Incorporation, By-Laws, the Code of Conduct and Ethics for Directors, and latest Annual Report/ Financial Statements. He should also be given a copy of this Manual. The Company shall also furnish all the first-time directors with a copy of the general responsibility and specific duties and responsibilities of the board of directors and as an individual director. The first-time directors shall submit a certification under oath that they have received a copies of such general responsibility and specific duties and responsibilities and that they fully understand and accept the same.

M. Continuing Education Program

The Board as a group and as individual directors should have sufficient knowledge relevant to the First Metro's activities to provide effective governance and oversight.

1. The Corporate Governance Committee Secretariat shall liaise with external training providers for training and seminar of directors. First Metro may also provide its own internal training for directors or may coordinate with Metrobank for the conduct of internal training.
2. Budget allocation and approval

Each director is entitled to a P50,000 budget allocation for one year for external seminars. Internal seminars shall be without charge and shall not be included in the budget.

3. Availment procedures
 - a. The Corporate Governance Committee Secretariat will liaise with internal and external training providers for the continuing education of directors. He shall at least provide the Corporate Secretary a list of said seminars on a quarterly basis.
 - b. The Corporate Secretary will inform all the directors of the available seminars based on the list submitted.
 - c. A director shall inform the Corporate Secretary, in writing, on the seminar which he plans to attend.

A director may opt to attend other seminars. In this case, he will inform the Corporate Secretary, in writing, attaching the seminar invite, course outline and other related documents.

- d. The Corporate Secretary shall determine if the seminar is within the approved budget per director.

If within the budget, the Corporate Secretary shall notify the Chairman of the Board of Directors of the director's plan to attend the seminar and process the payment of the seminar fee.

If beyond the approved budget, the Corporate Secretary will seek the Chairman's approval. Upon approval by the Chairman, the Corporate Secretary will process the payment of the seminar fee.

- e. After the seminar, the Corporate Secretary shall ask the director for a copy of the seminar materials and his certificate of attendance.

4. Records and Reports

- a. The Corporate Secretary shall keep a record of all seminars attended by the directors.
- b. The Corporate Secretary shall submit a semi-annual report to the Corporate Governance Committee on the training availment of the directors.
- c. Sample topics for seminars/training:
 - 1) Corporate governance
 - 2) Accounting and finance
 - 3) Audit and internal control
 - 4) Risk management
 - 5) Compliance and bank regulations
 - 6) Economic forecasts
 - 7) Strategic planning

N. Annual Self-Assessment

The Board has created an internal self-rating system and procedures to determine and measure compliance with this Manual on Corporate Governance vis-à-vis good corporate governance principles and practices: (i) each Director self-rates and collectively rates the Board, the President and the Chairman (ii) Corporate Governance and Compensation, Audit, Risk Oversight and other Board-level committees respectively rate themselves.

1. The evaluation shall cover the period April of the previous year to March of the following year (whole term).
2. In order to properly assess the Board, its individual Directors, the President, the Board Committees, etc., self-assessment forms shall be used. The Secretary of the Corporate Governance and Compensation Committee shall initiate the performance evaluation every February of each year.
3. Self-assessment forms must be accomplished as objectively as possible. The rating to be assigned shall reflect the personal view of the evaluator to the various corporate governance mechanisms.
4. The baseline on the assessment of the effectiveness of the performance of the Board, individual Directors and various Board Committees are the duties and responsibilities as mentioned in the Manual, the First Metro's By-laws, various rules and regulations and in the respective committee charters.
5. Results and matters concerning thereto shall be considered highly confidential. After the assessment forms have been duly accomplished, the Secretary of the Corporate Governance and Compensation Committee shall collate the forms and prepare a summary. For the various Board Committees, the secretary shall coordinate with the respective secretaries of the committees for

the results of the assessment of each Committee. The Audit Committee shall perform its self-assessment in accordance with SEC Memorandum Circular No. 4, S.2012.

6. The Committee Secretary shall review the results and report the results to the Board through the Corporate Governance and Compensation Committee.

O. Reportorial/Disclosure System of Company's Corporate Governance Policies

1. The reports or disclosures required under this Manual shall be prepared and submitted to the Commission by the responsible Committee or officer through the Corporation's Compliance Officer;
2. It is essential that all material information about the corporation which could affect its viability or the interest of its stockholders and other stakeholders shall be publicly and timely disclosed. Such information shall include among others, earnings results, acquisition or disposal of assets, related party transactions shareholdings of directors and changes to ownership.
3. Other information that shall always be disclosed includes remuneration (including stock options) of all directors and senior management corporate strategy, and off-balance sheet transactions.
4. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.
5. The Board shall therefore commit at all times to fully disclose material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Commission for the interest of its stockholders and other stakeholders.
6. All employees are encouraged to play their part in improving the overall effectiveness and success of First Metro and in strengthening its system of integrity. First Metro has a whistle-blowing policy which aims to guide officers and staff on reporting complaints related to fraud, malpractice, conflict of interest or violation of internal/regulatory policies, procedures and controls. (See Whistle-blowing policy)
7. First Metro shall adopt a policy on related party transactions where transactions with related parties are reviewed by the Corporate Governance Committee, composed of independent directors, and require prior written approval of the members of the Board, with the exclusion of the director concerned in case the transaction involves him or his related interests.

P. Reportorial Requirements

- a. BSP Bio-data

The Company shall submit to Bangko Sentral a bio-data with ID picture of directors/officers with rank of senior vice president (SVP) and above (or equivalent rank) upon every election/re-election/appointment/ promotion in a prescribed form within twenty (20) business days from the date of election/re-election of the directors/meeting of the board of directors in which the officers are appointed/promoted.

The bio-data shall be updated and submitted in case of change of name due to change in civil status and change of residential address, within twenty (20) business days from the date the change occurred.

The Company shall keep complete record of the bio-data of all its directors and officers and shall maintain a system of updating said records which shall be made available during on-site examination or when required by the BSP for submission for off-site verification.

b. List of incumbent Directors/Officers

A duly notarized list of the incumbent members of the Board and officers shall be submitted to BSP within twenty (20) banking day from the annual election of the Board.

c. Notarized Authorization Form to Query in BSP Watchlist File

For first-time directors/officers with rank of senior vice president and above (or equivalent ranks) within a particular FI, the duly notarized authorization form within twenty (20) business days from the date of election/re-election of the directors/meeting of the board of directors in which the officers are appointed/promoted.

d. Annual Report of Interlocking Positions

First Metro shall submit an annual report of all interlocking positions of its directors and officers within twenty (20) working days from the end of each reference year.

Q. Code of Ethics

The Board has adopted the Code of Ethics which is applicable to all directors, employees, consultants and advisors of First Metro. The Code of Ethics is intended to:

1. Promote a corporate culture of professionalism and maturity characterized by appropriate work ethics, socially-acceptable behavior and moral standards;
2. Enable all members of the First Metro community to challenge business practices or behaviors that may undermine the principles and guidelines adhered to by the company, thereby protecting its interests, image, reputation and integrity in all dealings;
3. Instill among all directors, officers, employees, consultants and advisors a commitment and dedication to the virtues of honesty, integrity, together with a high sense of prudence, responsibility and efficiency in the conduct of their duties; and
4. Ensure that the behavior of all members of the First Metro community reflects the values of what First Metro stands for.

The Code of Ethics describes the standards of conduct for business and work ethics expected from directors, officers, employees, consultants and advisors. It aims to instill a commitment and dedication to the core values of First Metro in the conduct of duties. To enforce company-wide compliance, the Code of Ethics is found in the Compliance Library for easy access of all members of the First Metro community.

IV. MONITORING AND COMPLIANCE

A. Monitoring and Assessment

Each Committee shall report regularly to the Board of Directors.

The Compliance Officer shall establish an evaluation system to determine and measure compliance with this Manual. Any violation thereof shall subject the responsible officer or employee to the penalty provided under this Manual.

The establishment of such evaluation system, including the features thereof, shall be disclosed in the company's annual report (SEC Form 17-A) or in such form of report that is applicable to First Metro. The adoption of such evaluation system must be covered by a Board approval.

This Manual shall be subject to annual review, any change shall be approved by the Board. To monitor the compliance by the corporation with the Code, the SEC may require them to accomplish annually a scorecard on the scope, nature and extent of actions they have taken to meet the objectives of the Code.

All business processes and practices being performed within any department or business unit of First Metro that are not consistent with any portion of this manual shall be revoked unless upgraded to the compliant level.

B. Penalties for Non-Compliance with the Manual

To strictly observe and implement the provisions of this manual, the following penalties shall be imposed, after notice and hearing, on the company's directors, officers, staff, subsidiaries and affiliates and their respective directors, officers and staff in case of violation of any of the provision of this Manual:


- In case of first violation, the subject person shall be reprimanded.
- Suspension from office shall be imposed in case of second violation. The duration of the suspension shall depend on the gravity of the violation.
- For third violation, the maximum penalty of removal from office shall be imposed.

The commission of a third violation of this manual by any member of the board of the company or its subsidiaries and affiliates shall be a sufficient cause for removal from directorship.

The Corporate Governance and Compensation Committee shall be responsible for reporting violation/s after due notice and hearing and shall recommend to the Chairman of the Board the imposable penalty for such violation, for further review and approval of the Board.

*** END OF MANUAL ***

Signed:



Atty. Alexis K. Javelosa, Jr.
Compliance Officer



Mary Mylene A. Caparas
Chairman of the Board

EXECUTIVE COMMITTEE CHARTER

Purpose and Objective

The Executive Committee (the “Committee”) exercises the executive power over the management of the Corporation as delegated and within the limits set by the Board of Directors (the “Board”).

Membership

The Committee is composed of not less than three (3) members of the Board, who are appointed by the Board during its organizational meeting held after the annual stockholders’ meeting.

The Chairman and Vice-Chairman of the Committee are appointed by the Board from among the appointed Committee members who are also members of the Board.

The Board may at any time increase or decrease the membership of the Committee.

A simple majority of the members of the Committee shall constitute a quorum and a vote of the majority of the members present and constituting a quorum at a duly called meeting shall be required to approve a resolution.

Meetings

The Committee shall convene upon the call of its Chairman, and in his absence, by its Vice-Chairman.

Excom members who cannot physically attend or vote at the meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunity to participate.

Responsibilities

The Committee shall:

- Between meetings of the Board, the Committee assumes such powers, duties and functions of the Board that may be properly delegated to it.

- The Committee can also act for the Board between meetings of the Board and during emergencies when the Board cannot be properly convened.
- Evaluate, deliberate, and approve loan proposals in such amounts that are in excess of the authority delegated to the Credit Committee.
- Evaluate and review DOSRI loans and other credit accommodations regardless of amount and endorse the same for Board approval.
- Review the Corporation's corporate plans, strategies and such policy matters that may be endorsed by the various management committees for its approval. Matters affecting general policy shall, however, always be referred to the Board.
- Review and approve major investment proposals or major capital expenditures.
- Handle other non-loan or non-investment related functions, including but not limited to the review, evaluation and approval of employees' benefits.
- Review and assess the adequacy of this Charter, and recommend changes for the approval of the Board when and where necessary.



FIRST METRO INVESTMENT CORPORATION

45th Floor, GT Tower International, Ayala Avenue corner H.V. Dela Costa St., Makati City

NOMINATIONS COMMITTEE CHARTER

Purpose and Objective

The Nominations Committee is tasked to assist the Board of Directors in defining and assessing Board membership criteria and in ensuring that a process that identifies and develops highly qualified individuals to take on key board and board committee positions when vacancies occur is in place. The Nominations Committee shall pre-screen and shortlist all candidates nominated to become a member of the Board of Directors as well as those nominated in other positions requiring appointment by the Board of Directors in accordance with the relevant qualifications and disqualifications.

Membership

The Committee shall consist of three (3) directors, one (1) of whom shall be an Independent Director.

Meetings

The Committee shall meet at least annually or as often as necessary whenever a key vacancy occurs.

Duties and Responsibilities

- The Committee shall be responsible for preparing and reviewing the list of nominee directors for election during the stockholders' meeting, ensuring that each director have the qualifications and none of the disqualifications pursuant to relevant regulations.
- The Committee is in charge of reviewing and recommending to the Board membership in the committees.
- At least annually, review and assess the adequacy of its charter and its overall performance then recommend changes for the approval of the Board when and where necessary.

**FIRST METRO INVESTMENT CORPORATION (FMIC)
REVISED AUDIT COMMITTEE CHARTER**

Committee Name	Audit Committee
Short Name	AUDITCOM
Nature	Board-Level Committee
Objective	To align with the Parent Bank's Revised Charter of AUDITCOM setting forth the revised provision for BOD-level committee charters in compliance with BSP Circular No. 969, series of 2017 [re: Enhanced Corporate Governance Guidelines for Bangko Sentral ng Pilipinas (BSP)-Supervised Financial Institutions (BSFIs)]
Responsibility Statement	<p>As an extension of the BOD, the AUDITCOM shall assist the BOD in fulfilling its statutory and fiduciary responsibilities, enhancing shareholder value, and protecting shareholders' interest through (a) effective oversight of outsourced internal and external audit functions, (b) transparency and proper reporting, (c) compliance with laws, rules and regulations, and code of conduct, and (d) adequate and effective internal controls.</p> <p>The AUDITCOM shall be responsible for overseeing senior management in establishing and maintaining an adequate, effective and efficient internal control framework. It shall ensure that systems and processes are designed to provide assurance in areas including financial reporting, monitoring compliance with laws, regulations and internal policies, efficiency and effectiveness of operations, and safeguarding of physical and information assets.</p>
Duties and Responsibilities	<p><u>Authority</u></p> <p>The AUDITCOM shall have explicit authority to investigate any matter within its terms of reference, full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and adequate resources to enable it to effectively discharge its functions.</p>
	<p><u>Primary Responsibilities</u></p> <ol style="list-style-type: none"> 1. Provide effective oversight of external and outsourced internal audit functions; 2. Ensure transparency and proper reporting with emphasis on the reports' integrity, timeliness and compliance with standards; 3. Ensure compliance with Company policies, and applicable laws, rules and regulations and code of conduct; and, 4. Ensure adequate and effective internal controls.
	<p><u>Duties and Responsibilities</u></p> <ol style="list-style-type: none"> 1. Effective Oversight of External and Outsourced Internal Audit Functions, and ensure that the internal and external auditors act independently from each other. <ol style="list-style-type: none"> a. Be responsible for the appointment/selection, re-appointment and dismissal

	<p>of internal auditor, as well as the independent external auditor and external service providers based on fair and transparent criteria.</p> <ul style="list-style-type: none"> i. In the case of the external auditor, the recommendation should be approved by the BOD and ratified by the shareholders, and that the appointed external auditor should be included in the List of Selected External Auditors for BSFIs as provided by the regulators ii. The external auditor, including the engagement and quality control partners, shall be periodically rotated in accordance with the relevant provisions of the Code of Ethics for Professional Accountant; iii. In the case of the outsourced internal audit function, the Senior Management may appoint or outsource the internal auditor subject to the concurrence of the AUDITCOM; iv. The AUDITCOM shall approve the terms and conditions for outsourcing internal audit services; and, v. If the internal/external auditor resigns or communicates an intention to resign, the AUDITCOM should follow-up the reasons/explanations giving rise to such resignation, and should consider whether it needs to take any action in response to those reasons. For removal of the external auditor, the reasons for removal or change should be disclosed to the regulators. <ul style="list-style-type: none"> b. Review and approve the internal audit risk assessment and overall annual plan (including scope and audit frequency) of the outsourced internal audit function to ensure its conformity with objectives of the Company, and ensure that the audit plan is aligned with the overall strategy and budget of the Company and is based on robust risk assessment. c. Review and approve the internal audit activities/functions to be outsourced, ensure that the internal audit service provider is independent and has adequate human resources with sufficient qualifications and skills necessary to accomplish the internal audit activities; d. Discuss and agree to the terms of the engagement letter issued by the external auditor prior to the approval of the engagement, obtain an understanding of the nature, audit approach, and scope of work covering areas specifically prescribed by the BSP and other regulators, and those relevant to the Company's operations and risk exposures. These include the following, among others: <ul style="list-style-type: none"> i. Review of the adoption of applicable reporting framework as well as the assessment of the accuracy, adequacy, and reliability of accounting records and financial reports; ii. Assessment of the propriety and adequacy of disclosures in the financial statements; iii. Assessment of the adequacy and effectiveness of internal controls and risk management systems; iv. Assessment of the quality of capital in relation to risk exposures; and v. Evaluation of the quality of corporate governance; e. Set compensation of the external auditor in relation to the scope of its duties
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	<p>upon recommendation of the Controller, and ensure coordination where more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts;</p> <ul style="list-style-type: none"> f. Ensure that the internal/external auditors shall have free and full access to all the Company's records, properties and personnel relevant to the audit activity, and that audit be given latitude in determining the scope of auditing examinations, performing work, and communicating results and shall be free from interference by outside parties in the performance of work. Furthermore, AUDITCOM shall ensure that the outsourced internal audit function maintains an open communication with Senior Management, the AUDITCOM, external auditors, and the supervisory authority; g. Take necessary measures to provide the appropriate resources and staffing that would enable the internal audit function to achieve its objectives and assess the extent of cooperation provided by the management during the conduct of the internal/external audit; h. Evaluate and determine non-audit work by external auditor and keep under review the non-audit fees paid to the external auditor both in relation to their significance to the total annual income of the external auditor and in relation to the Company's total expenditure on consultancy and disallow any non-audit work that will conflict with or pose a threat to the independence of the external auditor. The non-audit work, if allowed, should be disclosed in the Annual Report and Annual Corporate Governance Report; i. Review management representation letters before these are transmitted to the external auditor to ensure that items in the letter are complete and appropriate; j. Review the disposition of the recommendations in the external auditor's management letter; k. Receive and review reports of internal auditors to monitor and evaluate the adequacy and effectiveness of the Company's internal control system, including financial reporting, operational and compliance controls, risk management and security of physical and information assets on a going-concern basis and communicate the same through-out the Company to ensure that Senior Management is taking appropriate corrective actions, in a timely manner in addressing control weaknesses and non-compliance with policies, laws and regulations and other issues identified by the auditors and other control functions. Further, significant matters in the said reports should be reported to the BOD; l. Review and monitor the overall suitability and effectiveness and conduct a regular performance appraisal of outsourced internal and external auditors and insourced/outsourced arrangement. <ul style="list-style-type: none"> i. The AUDITCOM shall report to the BOD on the status of accomplishments of the outsourced internal audit activities, including significant findings noted during the conduct of the internal audit; ii. Assess and monitor the integrity, independence and objectivity of external auditor, and the effectiveness of the audit process, taking into consideration relevant Philippine professional and regulatory requirements. Also, AUDITCOM shall review and monitor the external
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	<p style="text-align: center;">auditor’s suitability and effectiveness on an annual basis.</p> <ul style="list-style-type: none"> m. Supervise and direct any special projects or investigations considered necessary; and n. Recommend enhancements in the audit processes, ensure that the outsourced internal audit function follows sound internal auditing standards such as the International Standards for the Professional Practice of Internal Auditing (ISPPA) and other supplemental standards issued by regulatory authorities/government agencies, as well as with relevant code of ethics, and continually engage the external auditor on matters concerning audit quality.
	<p>2. Oversee the Financial Reporting</p> <p>The AUDITCOM shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.</p> <p>Before submission to the BOD, review and discuss in full and on a timely manner the Company’s annual financial statements with external auditor and management to decide the appropriate action to be taken, including reporting to the BOD, focusing particularly on:</p> <ul style="list-style-type: none"> a. Any change/s in accounting policies and procedures; b. Major estimates, assumptions and judgmental areas; c. Unusual or complex transactions; d. Significant adjustments, material errors and fraud; e. Going concern assumption; f. Compliance with accounting standards; g. Compliance with tax, legal and regulatory requirements; and h. Ensuring employee pension funds are fully funded or the corresponding liability is appropriately recognized in the books. <p>Understand and duly assess the external auditor’s opinion regarding the capability of the management and the adequacy of accounting/information systems to comply with financial and prudential reporting responsibilities.</p>
	<p>3. Compliance with Company Policies, and Applicable Laws, Rules and Regulations, and Code of Business Conduct</p> <ul style="list-style-type: none"> a. Monitor compliance by the Company with laws, regulations and promulgated policies of the BSP and other regulatory government agencies, including but not limited to Anti-Money Laundering and Countering Financing of Terrorist. b. Monitor compliance with Company regulations and policies as contained in the various manuals of operating policies and procedures of the Company, as well as the Company’s code of Business Conduct and other codes of conduct as may be imposed by the Company.

	<p>c. Establish and maintain mechanisms by which officers and staff may, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing or other issues to persons or entities that have the power to take corrective action. AUDITCOM shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints, and that reporting employee or stakeholder who raise concerns are protected from detrimental treatment or reprisals.</p>
	<p>4. Monitor and Evaluate Adequacy and Effectiveness of the Internal Control System</p> <p>The AUDITCOM shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of internal control system is conducted to identify the weaknesses and evaluate its robustness considering the Company's risk profile and strategic direction.</p> <p>a. Evaluate the adequacy and effectiveness of the Company's accounting policies and procedures and financial and accounting management through observations and discussions with the external auditors, internal auditors and appropriate Company officers;</p> <p>b. Evaluate internal accounting controls through a review of the reports of the external auditors and internal auditors that describe internal accounting, organizational or operating control weaknesses and determine that appropriate corrective action is being taken by Management;</p> <p>c. Identify high-risk areas or areas of emphasis that will require more consideration by the AUDITCOM and internal audit; and</p> <p>d. Recommend improvement in policies, processes and procedures.</p> <p><u>Limitation of Role</u></p> <p>The AUDITCOM's role is one of oversight. Management is responsible for the preparation and fair presentation of the Company's financial statements and adequacy of disclosures in accordance with Philippine Financial Reporting Standards (PFRS). The external/independent auditor's responsibility is to provide its opinion, based on their audits, that the financial statements fairly present in all material respects, the financial position, results of operations and cash flows of the Company in accordance with PFRS. While the AUDITCOM has the responsibilities and powers set forth in this Charter, it is not the duty of the AUDITCOM to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and in accordance with the PFRS and applicable rules and regulations.</p>
Composition	<p>The members of the AUDITCOM are appointed annually by the BOD. It shall be composed of at least three (3) qualified non-executive directors, the majority of whom shall be independent directors, including the Chairman. All members of the AUDITCOM must have relevant background, knowledge, skills and/or experience in the areas of accounting, auditing and finance commensurate with the size, complexity of operations and risk profile of the Company. It shall have access to independent experts to assist them in carrying out its responsibilities. The Chairman of the AUDITCOM should not be the chairman of the BOD or of any other BOD-level committees.</p> <p>Each member shall serve for a maximum tenure of nine (9) years. If a member does</p>

	<p>not serve the position of director within the term, his/her AUDITCOM membership is automatically removed; the vacancy should then be filled up by the remaining BOD, if still constituting a quorum. Once an independent director loses his/her independent director's position within the term, he/she will automatically lose qualification as AUDITCOM chairman. A new chairman shall be appointed subject to the approval of the BOD. The AUDITCOM Chairman or member so appointed to fill a vacancy shall be appointed only for the unexpired term of his predecessor in office. The committee members, including the Chairperson, may also be occasionally rotated.</p>				
Quorum/ Majority Votes	<p>A majority of the AUDITCOM members shall be necessary to constitute a quorum at any meeting. When a quorum is present at any such meeting, a majority vote shall decide any matter brought before such meeting.</p> <p><u>AUDITCOM members who cannot physically attend or vote at the meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate.</u></p>				
Meeting Schedule	<p>The AUDITCOM shall meet as follows:</p> <table border="0" style="width: 100%;"> <tr> <td style="width: 50%;">Quarterly</td> <td>Review of Internal Audit Reports</td> </tr> <tr> <td>Special meetings</td> <td>Meetings with External Auditor, Management, BSP and others, as necessary</td> </tr> </table>	Quarterly	Review of Internal Audit Reports	Special meetings	Meetings with External Auditor, Management, BSP and others, as necessary
Quarterly	Review of Internal Audit Reports				
Special meetings	Meetings with External Auditor, Management, BSP and others, as necessary				
Performance Assessment	<p>The AUDITCOM shall perform a self-assessment to evaluate its performance at least annually to determine whether it is functioning effectively based on its responsibilities under the code:</p> <ul style="list-style-type: none"> • Setting of Committee Structure and Operation; • Oversight on Financial Reporting and Disclosure; • Oversight on Management; and, • Oversight on External Audit <p>The self-assessment shall be performed on the basis that each AUDITCOM member shall complete it independently. The AUDITCOM chairman shall lead discussion on the results of the questionnaire, focusing on those areas which clearly need improvement or where there is great variation in answers. Alternatively, the self-assessment shall be undertaken as a facilitated group activity led by the AUDITCOM chairman or an external party.</p> <p>The results of the self-assessment and any action plans arising therefrom shall be validated by the Corporate Governance Committee and reported to the BOD.</p>				
Charter Review	<p>The AUDITCOM shall review and reassess the Charter at least annually or when there are significant changes to the committee's mandate, scope and working procedures, and obtain the approval of the Board of Directors.</p>				



Corporate Governance Committee Charter

I. Responsibility Statement

The Corporate Governance Committee (CGCom) shall assist the Board of Directors (BOD) in fulfilling corporate governance responsibilities and in providing oversight in the implementation of FMIC's Compliance System. The CGCom is also tasked with establishing a formal and transparent procedure in determining the remuneration of directors and officers that is consistent with FMIC's culture, strategy, business environment and industry practice.

The CGCom shall also assist the BOD in ensuring that related party transactions (RPTs), including internal Group transactions, are reviewed to assess risks, are subject to appropriate restrictions to ensure that such are conducted at arm's length terms, and that corporate or business resources of the Company are not misappropriated or misapplied. This function of the CGCom shall ensure that Company transactions with related parties are fair and transparent, and do not benefit a particular group or individual at the expense of public investors or minority shareholders.

II. Duties and Responsibilities

1. Oversee the implementation of the corporate governance framework and periodically reviews the same framework to ensure that it remains appropriate in the light of material changes to the group's size, complexity and business strategy, as well, as its business and regulatory requirements.
2. Adopt corporate governance and compliance policies, practices and structures that will enable effective oversight over entities in the group and ensures that these are reviewed and updated regularly, and consistently implemented in form and in substance across the group.
3. Recommend to the Board matters pertaining to succession plan of senior management, and remuneration packages based on corporate and individual performance.
4. Oversee the continuing education/training programs for the Board.
 - a. Propose and plan relevant trainings for the members of the Board
 - b. Ensure allocation of sufficient time, budget and other resources for the continuing education of directors and draw on external expertise, as needed.
 - c. Establish and ensure effective implementation of policy for on-boarding/orientation program for first-time directors and annual continuing education for directors.
5. Oversee the performance evaluation process
 - a. Oversee the periodic evaluation of contribution and performance (e.g. competence, candor, attendance, preparedness and participation) evaluation of the Board and its committees, executive and senior management
 - b. Ensure that the results of the Board evaluation are shared, discussed and that concrete action plans are developed and implemented to address the identified

- areas for improvement
 - c. Perform annual self-assessment
 - d. Determine whether or not a director or officer who has multiple positions is able to and has been adequately carrying out his/her duties and, if necessary, recommend changes to the Board based upon said performance/review.
6. Provide oversight in the implementation of FMIC's compliance system
- a. Ensure that oversight on FMIC's compliance management is adequate
 - b. Ensure that the Compliance Program is defined for FMIC and that compliance issues are resolved expeditiously
 - c. Review, at least annually, FMIC's Compliance Program in accordance with existing regulatory requirements, in support of FMIC's goals and strategies and recommend approval thereof by the Board
 - d. Monitor the implementation of FMIC's Compliance Program and ensure that compliance issues are resolved expeditiously
 - e. Monitor FMIC's compliance with applicable laws, regulations and rules of regulatory agencies and recommend to the Board for appropriate actions
 - f. Review the regular reports submitted by the Compliance Division as well as reports on significant compliance issues, general status of FMIC's level of compliance, relevant regulations, updates and other compliance matters
 - g. **Ensure that oversight on FMIC's compliance to and implementation of AML/CT/PF regulations is adequate.**
7. Contribute to the Board's effective oversight functions over entities in the group, by requiring Compliance Division to, among others:
- a. Provide compliance oversight function over the subsidiaries
 - b. Conduct a formal review of the structure, their controls and activities to assess consistency with the Board-approved policies, practices and strategies and report the results of the assessment to the CGCom.
 - c. Ensure open communication with subsidiaries through generation and sharing of information of relevant and recent regulatory issuances and sharing and benchmarking of appropriate compliance and corporate governance best practices and policies. This is to ensure synergy of compliance including corporate governance between and among the group.
8. Oversee the implementation of the system for identifying, monitoring, measuring, controlling, and reporting RPTs, including the periodic review and update of RPT policies and procedures:
- a. Evaluate on an ongoing basis existing relation between and among business and counterparties to ensure that all related parties are continuously identified, RPTs are monitored, and subsequent changes in relationships with counterparties (from non-related to related and vice versa) are captured. Related parties, RPTs, and changes in relationships shall be reflected in the relevant reports to the BOD and regulators/supervisors.
 - b. Evaluate all material RPTs to ensure that these are not undertaken on more favorable economic terms (e.g. price, commissions, interest rates, fees, tenor, collateral requirements, etc.) to such related parties than similar transactions with non-related parties under similar circumstances and that no corporate or business resources of the Company are misappropriated or misapplied, and to

determine any potential reputational risk issues that may arise as a result of or in connection with the transactions.

- c. Ensure that appropriate disclosure is made, and/or information is provided to regulating and supervising authorities related to Company's RPT exposures, and policies on conflicts of interest or potential conflicts of interest.
- d. Report to the BOD, for approval, all RPTs that are considered material based on the company's internal policies.
- e. Report to the BOD, on a regular basis, the status and aggregate exposures to each related party as well as the total amount of exposures to all related parties.
- f. Ensure that transactions with related parties, including write-off of exposures, are subject to periodic independent review or audit process.
- g. Maintain a record of all RPTs courses through the Committee to facilitate verification of such transactions by external/internal auditors and regulators

III. Composition

The members of the Committee shall be appointed annually by the Board. The Committee shall be composed of at least three (3) members of the Board of Directors, who shall all be non- executive directors, majority of whom shall be independent directors, including the Chairperson. The Committee members, including the Chairman, shall have a maximum cumulative term of nine (9) year.

Any vacancy in the Committee shall be filled up by the Board.

For matters submitted to the Committee, the heads of the proponent unit shall be invited as resource person during presentation of proposal to the Committee. The Heads of Controllership and Legal Division, or their representatives, may be invited as resource persons when necessary.

IV. Quorum Requirement

All decisions or resolutions of the Committee shall have the affirmative vote of the majority of the members of the Committee.

In case a member has conflict of interest in a particular related party transaction, he should refrain from evaluating that particular transaction.

V. Voting Structure

- a. For non-RPTs and non-material RPTs, majority vote of all members of the committee approving the non-RPT/RPT.
- b. For material RPT, majority vote of all members of the committee approving the RPT; provided that the majority of independent directors of the committee voted to approve the RPT

VI. Meeting Schedule

The Committee shall meet bi-monthly/once every two months. A special meeting may be called as necessary.

CGCom meetings may be held in person in the offices of the Company or virtually through remote communication.

The Committee Secretary shall organize the agenda for each meeting and send out notices at least five (5) banking days before the meeting date. He/She shall likewise prepare/distribute the minutes of the meeting and prepare the memo to the Board and other reports, as needed.

CGCom members who cannot physically attend or vote at the meetings can participate and vote through remote communication such as videoconferencing, teleconferencing, or other alternative modes of communication that allow them reasonable opportunities to participate.

VII. Performance Assessment

The Committee shall perform an annual self-assessment using the attached self- assessment form.

VIII. Charter Review

The CGCom Charter shall be reviewed annually or as necessary, should there be changes in the regulations affecting the Committee.

IX. Reporting to the Board

The Committee shall report to the Board at least once every two months or as necessary.